

Oregon Department of Transportation
Office of Civil Rights
Emerging Small Business (ESB) Program
Biennial Report (ORS 200.160)
December 2019



Introduction

The Oregon Department of Transportation's (ODOT) Emerging Small Business (ESB) Program seeks to help Oregon's small business community overcome barriers to participation in the state's multi-billion dollar public contracting process. This program helps small Oregon firms increase their capacities to perform and bid on contracts, and then expand their market shares.

In accordance with ORS 200.160, which states that *the Oregon Transportation Commission shall appoint a committee to recommend plans whereby the Department of Transportation may assist emerging small businesses in overcoming barriers to participation in state public improvement and maintenance projects. The committee shall report biennially its recommendation to the commission and to the appropriate legislative committee. [1991 c.517 §2; 2005 c.683 §8]*, the Emerging Small Business Advisory Committee (ESBAC) meets quarterly and more frequently as needed.

The Advisory Committee is comprised of the following ODOT staff:

- Budget Manager
- HQ Business Manager
- State Maintenance & Operations Manager
- Chief Procurement Officer
- Deputy Highway Administrator
- Facilities Services Manager
- Statewide Project Delivery Manager
- Office of Civil Rights Manager
- ESB Program Manager

The Advisory Committee provides oversight on all aspects of the ESB Program, including educational and mentoring programs to meet the two main objectives of the ESB program:

- **Short term** – provide immediate contract opportunities on ODOT contracts that are exclusively available to certified ESBs.
- **Long term** – develop ESB firms' ability to grow and compete for larger ODOT contracts by providing approachable size contracts, allowing for firms to learn ODOT contracting processes while completing essential, smaller pieces of work across Oregon to gain necessary experience.

ESB Program Overview

The ESB program is comprised of two main components:

- **ESB Project Delivery Program** – Selection and management of improvement and maintenance contracts for ESB firms.
- **Supportive Services** – Programs utilized to develop and aid in growing ESB firms.

ESB Project Delivery Program – Building Oregon infrastructure through Small Business

The ESB Project Delivery program started in 1989 for the express purpose of giving small companies, regardless of race or gender, access to the opportunity to experience a prime contractor relationship with ODOT on moderately sized (under \$100,000) public works projects, set aside for exclusive bidding by ESB firms. In this environment, ESB contractors are often mentored by ODOT project managers to learn how to successfully work with government contracts. Each of the 127 projects delivered during the 2017-2019 biennium provided opportunities for certified firms to learn, grow, and succeed.

The Certification Office of Business Inclusion and Diversity (COBID) certifies Oregon businesses as ESB firms, and the ODOT Office of Civil Rights (OCR) works closely with COBID regarding ESB certification and overall participation in the ESB program. The ESB firms gain expertise through working on transportation-related projects. As of November 7, 2019, there are 1,091 ESB certified firms participating in the program, which is a decrease in the number of certified ESBs participating in the ESB Project Delivery Program since the 2015-2017 biennium.

COBID's program rules state the criteria and qualifications necessary to certify a firm as an ESB. The ESB program is comprised of two tiers with a 12-year limit on a firm's participation. The two tiers are based on the business's three-year average gross annual receipts, and number of employees. Tier 1 firms must have three-year average gross annual receipts of less than \$1,972,900 for a construction firm, less than \$789,198 for a non-construction firm, and employ fewer than 19 people. Tier 2 ESB firms must have three-year average gross receipts of less than \$3,945,900 for construction firms, less than \$1,315,000 for a non-construction firm, and employ fewer than 29 people.

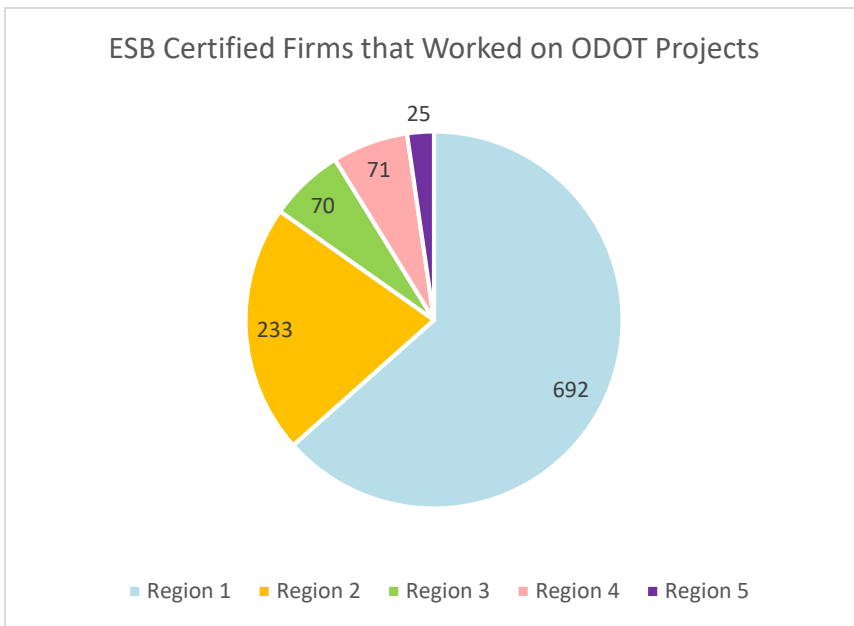
After 12 years of participation, or if growth is achieved beyond the stated limits, a firm graduates from the program to participate in ODOT contracts without a COBID certification. The COBID program has recently experienced an overall decrease in certified firms, caused primarily by: 1) an increase in the number of firms graduating from the program; 2) an increase in the rate of decertification; and 3) new firms are not being certified at a rate that matches the speed at which established firms graduate or are decertified.

During the 2017-2019 biennium, a total of 1,070 firms left the program (382 graduations and 688 de-certifications). In that same time period, COBID certified 1,874 new ESB firms during the 2017-2019 biennium. While 1,874 firms in the state of Oregon were COBID certified ESBs in the 2017-2019 biennium, 1,091 ESBs participated in ODOT's ESB program, meaning 1,091 ESB firms were awarded work on an ODOT contract.

COBID and OCR conduct monthly meetings to discuss certifications, graduations, de-certifications, successes, and challenges. COBID and OCR continue exploring additional ways to partner, including sharing of scheduled outreach and networking events to increase OCR's level of interaction and communication with COBID. OCR and COBID coordinate and share a consistent message with firms about the benefits of certification and how certified firms can work with ODOT. The increase in communication and sharing of networking events aims to address the certification and decertification rates, by increasing general awareness and understanding of the ESB program in an effort to bolster the number of firms applying for

ESB certification. Overall program success can be measured by the increase in the number of firms that become certified as an ESB and by observing trends that show continued participation in ODOT’s ESB program. COBID staff estimates that approximately 80% of all small businesses in Oregon may qualify for the ESB certification. While we are unable to determine the precise number of firms that are not certified, improving our outreach strategies may help to better position OCR and COBID to reach the greatest number of interested firms.

The chart below provides a visual display of the breakdown of firms’ locations within the state of Oregon. Region 1, which is predominantly the Portland Metro area and surrounding communities, is home to almost 60 percent of all ESB firms, with 692 in total. Region 2, which runs from approximately Oregon City south to Roseburg and from Tillamook east to Detroit, houses more ESB firms than Regions 3 through 5 (Southwest Oregon, Central Oregon, and Eastern Oregon) combined. The ESB program provides balance across all five regions by being involved with outreach, direct contacts, and by ensuring project dollars are utilized across all areas of the state.

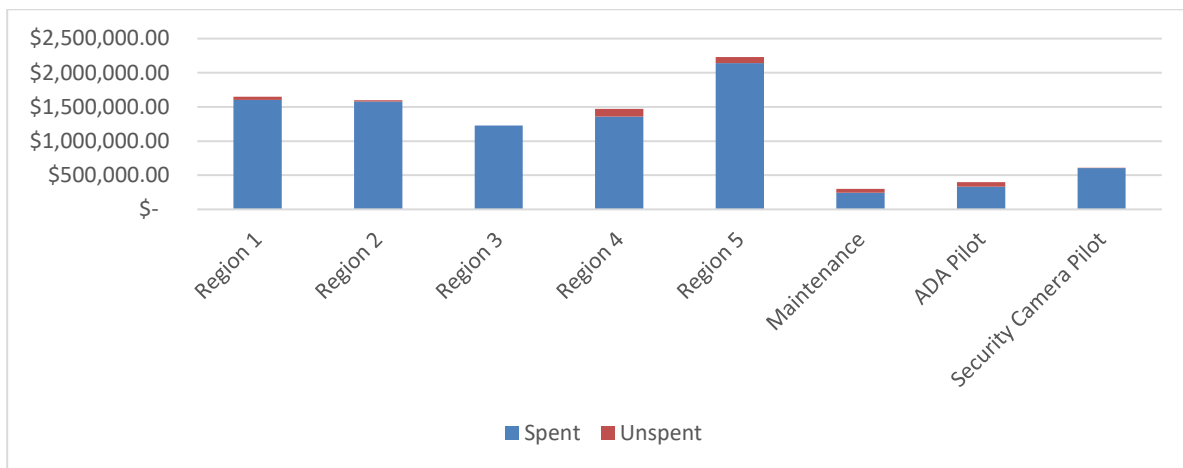


Total ESB Population:	1091
Region 1	692
Region 2	233
Region 3	70
Region 4	71
Region 5	25

Because firms are not distributed evenly across the state, many firms travel outside their home regions to work on contracts. The number of certified ESB firms is bolstered through a variety of statewide outreach efforts. These efforts include participation in events such as the Governor’s Marketplace Roadshow, partnering with advocacy groups, and working with COBID at various events. ODOT attends regular networking meetings with the Oregon Association of Minority Entrepreneurs (OAME), Salem Capitol Connections, the National Association of Minority Contractors of Oregon (NAMCO), and the Professional Business Development Group (PBDG) in an effort to spread awareness of our programs and increase the number of certified ESBs ODOT may conduct business with. ODOT also sponsors and participates in a number of annual networking or outreach events to connect with ESBs and businesses that may qualify for certification and future work with ODOT, including the OAME Tradeshow, the OAME Youth Entrepreneurship Conference, the Hispanic Heritage Month Breakfast, BESThq’s Business Expo West and Business Expo East conferences, and Multnomah County’s Reverse Vendor Tradeshow. In addition, we send direct messages through a variety of channels in order to reach firms who could be qualified to participate in the ESB program.

Funding for the ESB Program is defined in statute and requires ODOT to dedicate up to one percent (ORS 200.190) of the value of its highway construction contracts each biennium to the ESB program. Funding for the 2017-2019 biennium was set at \$10 million. The budget dedicated \$9.15 million to the ESB Project Delivery Program, \$200,000 for support services programs, \$500,000 for the Facilities/Maintenance Operation Branch, \$600,000 for ODOT's security camera project (which installed security camera and duress systems in various ODOT and DMV buildings in response to a focus on overall agency building and employee safety) and \$600,000 for an ADA curb ramp improvement pilot, with \$400,000 for design/build and \$200,000 for construction.

ODOT's region and district management staff select projects based on the needs of the region of the state and the interest in creating contracting opportunities for ESB firms. In selecting projects, consideration may be given to ensuring projects do not overuse any one particular trade and that projects are evenly distributed to ESB firms across the state. In the 2017-2019 biennium, ESB firms completed 127 projects throughout the state, and 97% of available funding was utilized to accomplish these projects. The final expenditures for 2017-2019 can be seen in the chart below.



These projects provide needed improvements and upkeep to Oregon's transportation assets across the state. In addition to public improvements completed with ESB funding, the ESB program also provides support through non-traditional transportation initiatives. For example, ODOT's ADA Program received \$600,000 in ESB funding in the 2017-2019 biennium to encourage ESB firms to bid on ADA Program projects to improve four curb ramps in the central region of the state (Region 4). The Region 4 team prepared by scoping several curb ramp locations in advance and receiving approval of environmental clearances and plans before going out to bid. The team sought to select curb ramps for improvement that had straightforward locations and gave contractors the opportunity to work in the field with ODOT's ADA Program designers in an effort to increase the number of ESB firms bidding on the projects. The Region 4 team awarded contracts of approximately \$100,000 each to four ADA-certified firms, to design and build curb ramps at the four locations. The ADA pilot allowed ADA-certified ESB firms to bid on manageable, lower-dollar projects and gave the firms the opportunity to work with ODOT designers in the field. By participating in these improvement projects, the firms were able to gain valuable experience building and repairing ADA-compliant curb ramps and working on contracts with ODOT, and provided ODOT the opportunity to help control the design-build costs of the curb ramp improvements, which can be substantial.

In 2017, ODOT, in conjunction with the Oregon State Police, conducted threat assessments on ODOT offices around the state. The assessments consistently called for the addition of security cameras, duress systems, and the hardening of lobbies to protect ODOT employees from physical threats. In 2018, the ODOT Security Council approved five ESB pilot projects to install security camera and duress systems at various ODOT sites, with six additional project locations added throughout the remainder of the 2017-2019 biennium. ODOT's Facilities Services group managed the projects and completed security camera design specifications for consistency in the installation of the camera and duress systems around the state.

ESB projects typically involve capital improvements, maintenance, safety, or sustainability, with specific projects varying widely by region based on regional or geographic needs. During the 2017-2019 biennium, projects in Region 1 included bus pad construction, fixture and lighting installations, curb maintenance, perimeter fence construction, and HVAC installation. Region 2 projects included delineator post installation or repair, stockpile cleanup, building exterior painting, culvert repair, and crack sealing. Region 3 projects included tree and brush removal, delineator post installation, fence repair, guardrail repair, and catch basin replacement. Region 4 projects included security gate installation, guardrail repair, signage and sign post replacements, ice guard installation, culvert and drainage repair, and concrete laying. Region 5 projects included fence repair, crack sealing, rock crushing, building painting, underground pump replacement, sidewalk repair, and slot drain maintenance.

Because there are fewer certified firms in Region 5, finding qualified, certified firms that are able to compete for ESB projects in eastern Oregon has proven difficult. The lower number of certified firms in Region 5 often creates a need for firms to travel from more populated areas of the state to complete the work, which is cost prohibitive. There are also geographic challenges in Region 5 that don't always exist in the more populous areas of the state, including terrain, weather, and accessible roadways. Higher levels of ESB funding to Region 5 is an effort to address and alleviate those challenges by providing more opportunities to certified firms located in Region 5. Region 5 staff believe that the higher allocation of ESB funding has caused more firms in eastern Oregon to receive their ESB certification, as there are more ESB contracting opportunities available that make it worth the effort for the firms to pursue certification. Higher levels of ESB funding allows Region 5 to provide a larger portfolio of available ESB projects, which has served as an incentive for firms to get certified and compete for those contracts. Region 5 staff have noticed an increase in the number of firms that reach out directly for information on various ESB projects, which staff believes is a direct result of the broader portfolio of available ESB projects and the larger allocation of funding provided to the region.

Supportive Services – Growing ESB Firms with the Small Business Development Program

Mentor-Protégé Program

The Mentor-Protégé program, created in response to a 2007 legislative budget note, pairs ESB firms with larger, more experienced contractors and consultants as mentors to provide additional guidance and direction to ESB firms wishing to improve their capacity to work on ODOT-related projects. This program is three years in length, spanning across biennia, in order to provide a high quality and long lasting learning experience for qualified ESB firms.

The Mentor-Protégé program is managed in partnership with the Port of Portland. While a previous iteration of the program focused on project-specific skills, the current Mentor-Protégé program utilizes a longer and more intensive approach to firm development. Through the program, the five certified ESB firms, the protégés, are mentored in various

business topics ranging from marketing and maintaining office administration habits to on-site operations and job site management. Development of business plans, management of working capital, and debt reduction are frequent topics addressed in the first year of these mentor pairings.

Through the program, protégé firms expand their professional network of potential business partners, learn to seek out resources to bridge identified gaps in business knowledge and management, and meet a host of active, committed business and technical contacts. This helps to enrich the protégés' business practices as they grow. Evidence of a long-term positive impact will be the emergence of these firms as they enter the ODOT bidder pool as active participants, thus increasing competition, potentially moderating prices, and delivering higher quality projects.

During the 2017-2019 biennium, five certified ESB firms were enrolled in the Mentor-Protégé program. This provided small certified firms with opportunities to develop specific skills and key pieces of knowledge to allow them to be more effective and to successfully participate in the projects they were involved in as sub-contractors to their mentors.

Equity Line Newsletter

Utilizing ESB supportive services funding, ODOT maintains regular communication and outreach with interested firms through the distribution of the quarterly Equity Line newsletter, which features success stories, messages on upcoming projects, and highlights successes within the ESB and small business communities as a whole.

ODOT OCR distributes the quarterly Equity Line newsletter in order to provide subscribers with relevant updates, trainings, and contracting opportunities. The first issue of the newsletter was published in August 2018. During the 2017-2019 biennium, ODOT contracted with Twirl Advertising and Design, an ESB itself, to create and issue five newsletters with the goal of bringing industry information to interested firms that cover topics related to events and activities sponsored by ODOT OCR, current contracting opportunities, and training or networking opportunities for certified firms across the state of Oregon. The newsletter also features a Small Business Spotlight article, which highlights an Oregon business and allows the business to share their story and successes. Currently, the Equity Line newsletter is distributed to 12,013 recipients including certified businesses, contracting firms, and other interested business partners.

Summary

ODOT's ESB Program assists emerging small businesses in overcoming barriers to competing for public improvement and maintenance contracts. The ESB Advisory Committee will continue working with and monitoring the ESB Program to ensure that the project delivery and supportive services aspects of the program continue to provide benefits to the ESB community across the state, resulting in more experienced firms that are competitive, and ensuring Oregonians continue to receive quality projects at fair market value.